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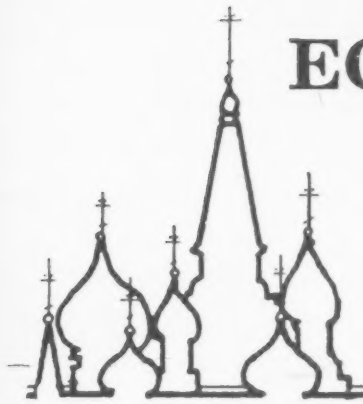

ECONOMIC NEWSLETTER

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Inflation

The Soviets are now releasing some figures giving some measure of inflation. The figures are suspect because it is hard to measure inflation when there are no goods in the shops. Nonetheless according to one estimate, prices rose on the collective farm markets by 18.2% during the first half of 1990 over the first half of 1989. The prices in the state stores rose by less than three percent. However very often the state stores lack goods to sell. Similar reports suggest that the prices of cooperative stores rose by only four percent. The collective farm market prices however seem to be the more realistic ones.

This increase in prices is also reflected in some figures reported about the sale of certain hard to find consumer goods. They were offered at an official auction during the first four months of 1990. Thus a VCR which normally is supposed to sell for three thousand rubles was selling for 6.4 thousand at auction. The automobile, the Moscvich, which is officially sold at 10.2 thousand rubles brought a price of 53.9 thousand "or 5.3 times higher than officially suggested." Others Soviet cars brought a similar premium.

The accompanying table shows that wages have gone up significantly over the last several years. This of course has helped to fuel the inflation and in turn is a reflection of the inflation. Thus the number of workers receiving more than three hundred rubles a month has doubled since 1981. The number of workers receiving 250-300 rubles has also doubled.

Monthly salary of workers and employees in rubles: including overtime (not including part time workers and apprentices)

	March 1981	March 1986	1989
less than 80	6.3	4.8	2.7
80-100	13.5	11.2	7.2
100,01-120	12.2	10.2	9.2
120,01-140	12.4	10.9	9.3
140.01-160	11.6	11.3	9.9
160,01-200	19.0	18.2	17.4
200,01-250	12.4	15.1	16.7
250,01-300	5.5	7.6	11.0
higher than 300	6.1	9.5	15.4

The Soviets have also published some figures which show why there were shortages of cigarettes. Sales of cigarettes rose significantly, particularly in 1989. Some Soviet authorities attribute this to the shortage of vodka. In the absence of vodka more people smoke. In the process, the inventories of cigarettes fell dramatically, particularly beginning in 1988. The Soviets report that as of August of 1990, only 39 out of the fifty cigarette factories were operating. As the shortage intensified, packages of cigarettes were selling for 2-3 rubles for the cheaper brands, and fancier brands were selling for as much as 15 rubles a package. See diagram on page 4.

The Soviets have also provided us with

some interesting information about their telephone network. As the following table indicates, as of the end of 1989, there were twenty-five million telephones in Soviet households. Not surprisingly of that number, 21.6 million were in urban residences and only 3 and a half million were in rural areas.

On a per capita basis, that meant there were eighty seven phones per thousand people. In the urban areas there were 114 phones per thousand or slightly over eleven percent and in the rural areas, about 36 phones per thousand, or about four percent. On a family basis, at the end of 1989, there were 36.6 phones per hundred families and 12.8 phones in rural families.

The number of urban phones per family is still quite low. That made suspect some of the public opinion polls which rely on telephone interviews. There have been several such polls which give surprising results, including one which showed that the Soviet population has the same attitude towards the market as the American public. In both case the surveys were conducted by telephone. That brings to mind the ill-fated presidential election polling of the 1930's, which predicted that Landon would be elected president. The polls relied on telephone surveys, when indeed only a small percentage of the American population then had telephones. See table on page 4.

Statistics show Soviet Union in an Economic Depression

The United States is not the only country beset by a recession. The Soviet Union has come to acknowledge that it too is facing a significant decline in production. The Soviets have not seen fit to release the full details of their six month production. However they have provided us with some information. The accompanying table provides us with data in broad terms. However since much of it is contained in retail prices it is suspect. Thus the fact that production of consumer goods at retail prices rose 7% suggests that actually production of consumer goods fell because of inflation which as we indicate elsewhere probably exceeded 10%. What is significant is that even under their definitions, the volume of industrial output fell by .6%. Equally important is that monetary income went up 13% although everyone agrees that the availability of consumer goods is less than before. It is also significant that shipments fell by 5% and that housing construction fell by 6%.

The Soviets have released other information as well. They say that national income fell by 2% and labor productivity fell by 1.5%.

In terms of specific goods, one of the most interesting figures is that oil production is down 15 million tons in the first half of 1990 compared to 1989. That means that oil production was 289 million tons compared to 304 million tons the year earlier. What is significant about that is that the rate of decline seems to be increasing. That represents a 5% decline for the first six months of 1990 compared with only a 4% decline during the first quarter. A subsequent report for the month of August indicates that output dropped another 2 million tons. At the present rate, this would mean that oil production for 1990 will total approximately 570 million tons. That is the lowest figure since 1978 and represents approximately 11 1/2 million barrels a day. That contrasts with the highest level of production of 624 million tons in 1977 and 1988 which was 12 1/2 million barrels a day.

Finally some good news. According to the current hard currency auction conducted on August 31, the value of the foreign ruble remained the same as it had on July 19th. That was 41.2 domestic rubles to 1 so called foreign rubles. That means that one dollar is worth twenty three rubles.

Journalist Conference

The Russian Research Center presents its annual conference orientation for journalists. As the accompanying program indicates, there will be a general review of current developments in the Soviet Union. We hope to add a speaker from the Soviet Union representing the Research Institute of Gosplan, or Gosplan itself. We will know more about that just before the conference.

FOREIGN EXCHANGE RATES
as of September 12, 1990
Quoted in rubles

	Official Rate
£100 Sterling	107.16
100 Aust. Sch.	5.14
100 D. Marks	36.28
100 D. Guilders	32.09
100 U.S. Dollars	56.92
100 Fr. Francs	10.81
1,000 Jap. ¥	4.09
10,000 It. Lire	4.85
100 Swiss Frs.	43.58
100 Nor. Kroner	9.36
1,000 Bel. Frs.	17.60
100 Sw. Kronor	9.85

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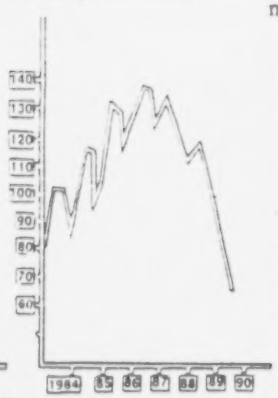
NUMBER OF HOME TELEPHONES AT THE END OF 1989

Telephones:	Number of telephone sets, in 1000s			Percentage of telephones per 1000 people		
	Total	urban	rural	Total	urban	rural
USSR	25137	21617	3520	87.4	114.1	35.9
RSFSR	10851	9248	1603	78.2	92.6	41.2
Ukraine	4718	4180	538	91.5	120.9	31.7
Belorussia	1105	926	179	108.2	136.9	51.9
Uzbekistan	1002	809	193	49.5	98.5	16.1
Kazakhstan	1254	972	282	75.5	102.1	39.7
Georgia	428	336	92	79.1	111.6	38.2
Azerbaidzhan	486	381	105	68.3	98.8	32.2
Lithuania	547	445	102	147.4	176.1	86.1
Moldavia	311	240	71	71.2	116.8	30.6
Latvia	468	371	97	175.0	195.8	124.3
Kirghizia	206	160	46	47.5	96.9	17.2
Tadzhikistan	164	139	25	31.2	82.6	7.0
Armenia	457	344	113	138.2	153.2	106.5
Turkmenia	167	139	28	46.4	85.8	14.1
Estonia	216	170	46	136.8	150.5	102.6

millions of rubles

Sale of tobacco products in govt. and cooperative stores, including restaurants

Days of Retail Commodity Turnover



millions of rubles

Inventory of tobacco products in the retail sales network

The USSR Goskomstat [State Committee for Statistics] has summed up the results of the USSR's socioeconomic development in January-July 1990. We publish below a table of the main indicators:

	Actual figures January-July in billions of rubles	
	1990 (at actual prices)	1990 as percentage of 1989 (at comparable prices)
Volume of industrial output (operations, services)	523	99.4
Production of consumer goods (retail prices)	258.8	107
of which food goods	80.0	101.6
of which alcoholic beverages	32.3	111.2
of which nonfood goods	146.5	109.3
of which light industry goods	57.2	102.7
Purchases of livestock products in million tonnes:		
livestock and poultry	12.0	98
milk	49.0	103
Total housing commissioned from state capital investments, million square meters	32.8	94
Shipments (dispatch) of freight by public-use transport, billion tonnes	7.2	95
Retail trade turnover	259.1	112.0
Paid services	40.8	105.0
Population's monetary income (actual figures)	353.0	113.2